

# Q2 2011



# West Hollywood Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2011)

## West Hollywood In Brief

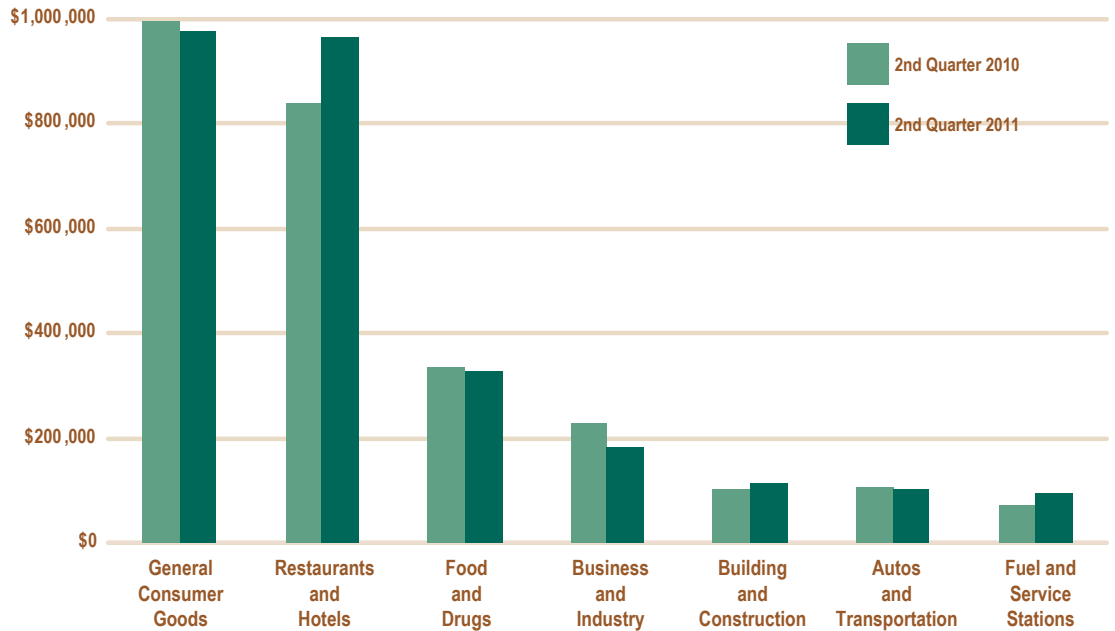
Receipts from second quarter sales were 2.8% above the same period one year earlier.

Restaurants with liquor, restaurants without alcohol, hotels with liquor, family apparel, women's apparel, home furnishings and service stations generated most of the year-over-year increase with new business additions contributing to restaurant with liquor totals. A onetime payment adjustment added to home furnishings proceeds.

Retroactive payment adjustments a year ago exaggerated declines in the textiles/furnishings and transportation/rentals groups. Declines in several business categories caused the general consumer goods decrease.

Net of accounting adjustments, all of Los Angeles County was up 8.4%; statewide sales grew 9.7%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS In Alphabetical Order

Abbey Food & Bar	Maxfield Bleu
Asia de Cuba	Mondrian Hotel
Best Buy	Pavillions
BevMo	Ralphs
Boa	Ralphs
Bristol Farms	Roche Bobois
Ceconis	Saddle Ranch Chop House
CVS Pharmacy	Soho House West Hollywood
Gelsons Market	Target
H & M	Trader Joes
Herman Miller Workplace Resource	Whole Foods Market
Hornburg Jaguar	World Oil Marketing
London West Hollywood	

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$2,685,332	\$2,764,045
County Pool	299,576	306,609
State Pool	1,439	(1,630)
<b>Gross Receipts</b>	<b>\$2,986,347</b>	<b>\$3,069,025</b>
<b>Less Triple Flip*</b>	<b>\$(746,587)</b>	<b>\$(767,256)</b>

\*Reimbursed from county compensation fund

**Statewide Results**

California's local sales and use tax revenues for sales occurring April through June 2011 were 9.4% higher than the same quarter of 2010 after payment aberrations were removed. This marks the sixth consecutive quarter of growth since the recovery began.

Higher fuel prices accounted for much of the statewide increase. Easing consumer credit, sales incentives and pent up demand led to gains in new auto sales while consumers also showed signs of spending more freely in specialty stores, home furnishings, apparel categories, jewelry and restaurants.

Electronics sales in the Bay Area sharply outpaced statewide results and highlighted the continued strength of tech-oriented business in that region. Stimulus funded infrastructure projects produced temporary gains in sales tax on concrete, asphalt and aggregates but are expected to wane later in the year as funding is depleted.

Increased airport traffic and auto rentals suggest that travel and leisure sales are in a recovery mode.

**Fuel Prices Boosting Receipts**

Second quarter fuel sales represented 38% of the total statewide sales tax increase. California consumers paid an average of \$3.94 per gallon the week of September 12th, 94 cents higher than the same period of 2010, but below the all-time high of \$4.59 in 2008. Crude oil prices, which account for about 85% of gasoline price variability, were \$90.21 a barrel in September 2011 versus \$141.06 in the summer of 2008.

Although future gas prices are expected to decline from this year's highs, increased exports of U.S. refinery output to other countries are expected to keep prices here at elevated levels.

**Growth in the Hourglass Economy**

The good news is that the economy is in recovery, the bad news is this may be as good as it gets according to a recent International Monetary Fund report

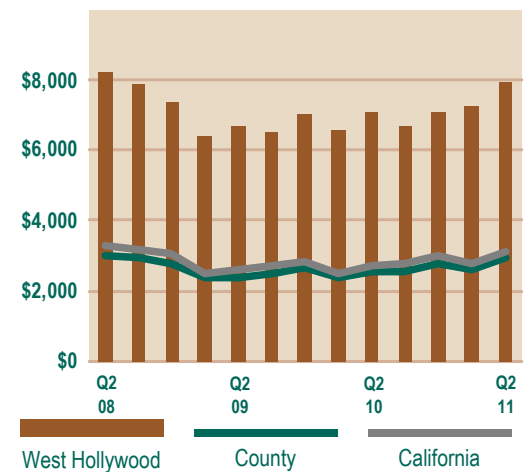
which highlights problems caused by a shift to an hourglass economy.

This type of economy is characterized by a large and expanding group at the top with high skills and high incomes offset by an expanding group at the bottom with low skills and low pay. The middle levels traditionally composed of skilled or semi-manual workers in good paying jobs continue to decline, giving the occupational income profile of the economy its distinctive shape. The 2010 Census revealed that most Americans' inflation-adjusted incomes were either stagnate or in decline with the proportion of people living in poverty now at 15.3% while 24% of the nation's wealth is concentrated in the top 1/10th of one percent.

Consumer spending has historically accounted for 70% of economic output and with the wealthiest 5% of Americans now accounting for 37% of all consumer spending, retailers are bifurcating their marketing strategies into sales of high end and low end goods while reducing offerings for the disappearing middle class. Economists say

the dependency on just a small portion of the population for increased spending limits future growth potential and fosters more boom and bust cycles. This is because the wealthy splurge and speculate when their savings are doing well and quickly cut back when the value of their assets tumble. Analysts further argue that this lack of growth potential is why major corporations are sitting on record profits and not investing in more employees.

**SALES PER CAPITA**



**WEST HOLLYWOOD TOP 15 BUSINESS TYPES**

Business Type	West Hollywood		County	HdL State
	Q2 '11*	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —		6.7%	6.4%
Electronics/Appliance Stores	100.6	-38.3%	-13.3%	3.2%
Family Apparel	134.3	28.3%	14.9%	12.7%
Grocery Stores Beer/Wine	46.7	-0.8%	-1.4%	2.2%
Grocery Stores Liquor	153.5	1.5%	0.2%	1.4%
Home Furnishings	198.5	4.4%	3.5%	3.6%
Hotels-Liquor	91.8	11.8%	8.9%	3.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —		10.0%	9.8%
Restaurants Beer And Wine	77.5	-3.6%	0.1%	-1.1%
Restaurants Liquor	651.5	10.7%	7.1%	8.6%
Restaurants No Alcohol	145.1	61.3%	4.6%	3.4%
Service Stations	95.4	35.7%	32.7%	31.0%
Specialty Stores	105.4	5.9%	3.9%	5.2%
Textiles/Furnishings	96.7	-21.9%	7.0%	9.0%
Women's Apparel	52.8	12.8%	8.2%	8.9%
<b>Total All Accounts</b>	<b>\$2,764.0</b>	<b>2.9%</b>	<b>9.5%</b>	<b>10.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>305.0</b>	<b>1.3%</b>		
<b>Gross Receipts</b>	<b>\$3,069.0</b>	<b>2.8%</b>		<i>*In thousands</i>